

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

HB 732 - SB 714

March 29, 2011

SUMMARY OF BILL: Authorizes the Department of Education (DOE) and local education agencies (LEA) to sponsor virtual schools. Defines a virtual school as an independent public school in which the school uses technology to deliver a significant portion of its instruction using the Internet in a virtual or remote setting. Virtual school students shall have access to a sequential curriculum that meets or exceeds the curriculum standards set by the State Board of Education (SBOE). Regular assessments in language arts, math, science, and social studies shall be taken by virtual school students. Virtual schools shall maintain an administrative office within the state. Authorizes any student who is eligible for enrollment in a public school in Tennessee to enroll in a virtual school. Students currently attending a non-public school may be charged a tuition fee. Requires the sponsor of a virtual school to evaluate the virtual school annually according to its effect on student achievement and its fiscal and operational performance.

ESTIMATED FISCAL IMPACT:

On March 29, 2011, a fiscal note was issued estimating a fiscal impact as follows:

Increase State Expenditures – \$5,062,300

Increase Local Expenditures - \$4,821,300/Permissive

Due to an incorrect mathematical calculation in the assumption, this impact was in error. The estimated impact is:

(CORRECTED)

Increase State Expenditures - \$2,778,600

Increase Local Expenditures - \$2,646,300/Permissive

Assumptions:

- The current e4TN program is funded by a federal grant through Title II-D. The current funding for FY10-11 is \$1,804,190 and the current enrollment is 3,646. The e4TN program offers 34 courses in the Spring 2011 semester. The state currently takes a five

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percent administrative fee which is \$90,210. According to DOE, the federal grant money will not be received by Tennessee in FY11-12.

- The number of LEAs that will sponsor a virtual school is unknown. The number of enrolling students, the composition of the students taking virtual courses, how the virtual school will operate, and what and how many courses will be offered is also unknown.
- According to the Comptroller's Office which has done research on virtual school programs in other states and Tennessee, the cost per full-time enrolled student ranges from \$5,500 to \$9,000. This is an average of \$7,250.
- Because the federal funding is being terminated in FY11-12, the state and LEAs that sponsor a virtual school will pay for all expenditures associated with a virtual school.
- It is estimated that 20 percent of the currently enrolled virtual school students or 729 students will attend a virtual school in FY11-12 with 50 percent (365) attending an LEA-sponsored virtual school or schools and 50 percent (365) attending a state-run sponsored virtual school. The average per pupil cost will be \$7,250.
- The increase in state expenditures for a virtual school will be \$2,646,250 ($\$7,250 \times 365$). It is estimated that five percent of the state expenditures for a virtual school will be sufficient to administer the program. The total increase in state expenditures will be \$2,778,563 ($\$2,646,250 + \$132,313$).
- The increase in permissive local expenditures will be \$2,646,250 ($\$7,250 \times 365$).
- LEAs and the state may charge students who are not currently enrolled a tuition fee to attend the virtual school.
- No change in the BEP funding formula.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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